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COMPT 75-1623

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28 NOV 1975

MEMORANDUM FOR: Deputy Director for Administration

SUBJECT: Financial Guidance for FY 1977

REFERENCES:

A. My Memorandum, dtd. 14 Aug 75, Subject: Financial Guidance for 1976, the Transition Quarter and 1977

B. My Amended Financial Guidance Memorandum for FY 1976 and the Transition Quarter

1. This memorandum amends the Program level for FY 1977 given to you in my Financial Guidance memorandum of 14 August 1975 (Reference A), supplements my Amended Financial Guidance memorandum of current date (Reference B), and provides guidance for development of your FY 1977 Program for inclusion in the Congressional Budget Submission. The development of your FY 1977 Program should be consistent with your revised FY 1976 and TQ estimates.

2. The Office of Management and Budget has completed its review of the Agency's proposed FY 1977 Program and has recommended a number of changes. I have reviewed OMB's reductions and, although I do not necessarily agree with the basis for all of the individual changes, the Agency must accommodate to the total budget figure recommended to the President. The attachment lists in general terms the reductions made by OMB in the FY 1977 Budget as initially proposed for your Directorate. Subject to final approval by the President, these changes form the basis for the FY 1977 Program level for the Administration Directorate as indicated below:

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3. As noted in Reference B, Congress has for the first time placed restrictions on the Agency's authority to reprogram funds internally once the Congress has received and acted on our annual budget request. After our program has been submitted to Congress, we will no longer be able to make major changes without consultation with our Committees. This means that we must develop a firm Operating Program now for FY 1977--one that we will not be able to revise in any significant degree during the July Program Review. The FY 1977 Operating Plan developed at this time, consistent with the position and fund levels for your Directorate as indicated in paragraph 2 above, must be one we can live with at least until Congress has acted on our 1977 Budget request. At that time, of course, we will be required to modify the Operating Plan to conform to congressional action. As a part of that process we expect to be able to make minor adjustments in the FY 1977 Operating Plan. Any significant reprogramming, however, will have to be discussed with our Committees, and we have no assurance that requests for major reprogramming will be viewed sympathetically.

4. While I am mindful of the difficulty in developing a firm financial Operating Plan this far in advance of the period during which that Plan will be executed, we have no choice but to comply with the intent of Congress. It is therefore essential that your FY 1977 Budget be carefully and thoughtfully developed with the full knowledge and understanding that it may not be significantly changed until we have our 1977 appropriation and then only with the express approval of our Congressional Committees. It is clear that the Agency no longer has the degree of flexibility enjoyed in the past in shifting resources to meet requirements that were not subjected to and justified through the normal budgetary process. Particularly for this reason, the importance of advance planning in the budget development and execution process cannot be over-emphasized.

5. The problem we face in finalizing our FY 1977 Operating Plan now, rather than during the July Program Review, will be doubly difficult because we are being required to submit our budget to Congress by 2 February 1976, a full month earlier than prior years. This further compresses the time available for adjusting to the OMB reductions in our initially proposed FY 1977 Budget and for completing financial plans for our FY 1977 operations. The problem is complicated additionally by the possibility that the President may wish to append a classified

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annex to the Federal Budget which must be submitted to Congress by 1 January 1976. While the classified annex probably will not display Agency data in detail, as a minimum we expect that totals for each Directorate will be included. It is therefore necessary that you make a preliminary assessment of the programmatic and operational implications of the reductions imposed by OMB and advise me within the next few days of any major problems you see for FY 1977 that cannot be handled within the position and revised fund levels for your Directorate. Also, you should identify any priority activities or requirements which have materialized subsequent to my approval of your FY 1977 Program level following the July 1975 Program Review and which cannot be met by your internal reallocation of resources. You should bear in mind, however, that the total FY 1977 position and fund levels for the Agency have already been established and that any increases can be approved only at the expense of compensating changes elsewhere in the Agency. In the absence of advice to the contrary, I will assume that the position and fund levels I have approved for your Directorate (in paragraph 2 above) will be adequate to meet what you now see as your minimum requirements for FY 1977.

6. The Comptroller will provide instructions for the submission of Program information and the detailed financial data required for preparation of the Agency's FY 1977 Congressional Budget.

/s/ W. E. Colby

W. E. Colby
Director

Attachment:
As Stated

Distribution:
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Approved For Release 2004/10/28 : CIA-RDP80M01066A000800070010-8

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Approved For Release 2004/10/28 : CIA-RDP80M01066A000800070010-8

Next 1 Page(s) In Document Exempt

Approved For Release 2004/10/28 : CIA-RDP80M01066A000800070010-8